

**Iowa Department of Education
Bureau Nutrition, Health and Transportation Services**

**American Recovery and Reinvestment Act of 2009
Equipment Assistance Grants for School Food Authorities
Questions and Answers April 10, 2009**

Q.1. May equipment assistance grant funds be used to buy equipment that would support the Farm to School initiative and buying food locally?

A.1. Yes. SFAs may apply for equipment grant funds to support the Farm to School initiative and buying food locally. The equipment must meet the \$5,000 Federal equipment threshold or applicable local equipment threshold. The SFA would then describe in the appropriate focus area(s) how the equipment will impact the school food service program. For example if additional refrigeration or a produce washing station is needed to accommodate the procurement of more fruits and vegetables locally, the SFA might describe the impact using the concepts that this equipment will allow the SFA to offer fresher food and a greater variety of produce, enhancing the quality of meals under Focus Area 1; or support expanded participation in the program Focus Area 4, as serving locally grown product will be used as a marketing tool and/or allow for offering more choices in fruits and vegetables, impacting participation.

Q. 2. In talking with Food Service Directors in other states, the SFA has learned that Farm to School initiatives have been added as a Focus Area on the equipment application in some states. Does this mean that SFAs in Iowa can't request funds for equipment that would support buying more food locally?

A.2. No. The Iowa State Agency (SA) fully supports the Farm to School initiative and encourages SFAs to think about equipment needs that would facilitate more local food purchases as part of the process the SFA is using to identify equipment needs. The SA simply believes that equipment supporting the Farm to School initiative could be justified under one of the four focus areas identified by USDA.

Q. 3. What is the purpose of the Equipment Assistance Grants?

A.3. While the primary effect of the NSLP equipment assistance grants authorized by the ARRA will be to improve the infrastructure in the NSLP, it is important to note that the authority for the grants was provided in the context of the overall effort to stimulate activity within the American economy. SFAs requesting funds that include equipment to procure more products locally may in the long term have a greater impact on stimulating the local economy.

Q.4. May RCCI's apply for the ARRA equipment assistance grant funds?

A.4. Yes, as long as the RCCI is participating in the NSLP.

Q.5. May an SFA round up when determining a school's eligibility percentage of free and reduced-priced meals?

A.5. No. Rounding is not an acceptable practice. This is consistent with USDA policies regarding area eligibility across the programs.

Q.6. May an SFA use a district-wide percentage of free and reduced-priced eligibility instead of individual school sites' percentage?

A.6. No. The ARRA specifically states that priority will be given for schools in which at least 50 percent of the students are eligible for free or reduced-priced meals. Therefore, an individual school sites' percentage of free and reduced-priced eligibility must be used and not a district-wide percentage.

Q.7. May the equipment purchased with the ARRA equipment assistance grant funds be used to support the other school meal programs, such as school breakfast, afterschool snack programs, Fresh Fruit and Vegetable Program (FFVP), and summer food?

A.7. All SFAs participating in the NSLP are eligible to submit an application to their State agency to receive a grant award. The equipment purchased with the ARRA grant funds must be used to support the Federally assisted school food service operations of the SFA. Equipment may not be purchased exclusively for programs outside of the NSLP. However, when an SFA participates in other school meal programs (such as the School Breakfast Program, afterschool snack, FFVP, or the Summer Food Service Program), in addition to the NSLP, those other meal services may benefit from the ARRA grant purchased equipment. For example, if an SFA participating in the NSLP and School Breakfast Program purchases a new refrigerator with the ARRA grant funds, food items for both Federal Programs may be stored in the refrigerator.

Q.8. May an SFA apply for the ARRA equipment assistance grant funds to purchase equipment that will have a pro rata share for multiple program uses? For example, can an SFA apply for a cooler truck that will be used to transport school meals between school sites and to transport meals to senior centers by the Department of Aging?

A.8. Yes, under appropriate circumstances. An SFA is not prohibited from using ARRA equipment assistance grant funds to share in the joint cost of a piece of equipment. If they do, however, the SFA must furnish evidence that the ARRA grant's share of the cost is proportionate with the benefit the SFA's Federally assisted school food service operations will receive from the equipment's use. In other words, the ARRA grant must not be allowed to subsidize other activities of the SFA that also use the equipment. When reviewing an application for such ARRA funds usage, the State agency must consider that

the specific intent of the ARRA grant funds is to improve the infrastructure of the NSLP while stimulating the economy via prompt purchases of school food related equipment used to support the Federally assisted school food service operations. Within the application process, State agencies may choose to give priority to SFAs that will purchase equipment that solely benefits the school meal programs.

Q.9. May an SFA with a base or central kitchen apply for the ARRA equipment assistance grant?

A.9. Yes. All SFAs participating in the NSLP are eligible to submit an application to their State agency to receive a grant award. An SFA's eligibility does not depend on the meal production systems being utilized (i.e., on-site kitchens, base/central kitchens, and satellite kitchens) as long as the ARRA equipment assistance grant funds are used to support the Federally assisted school food service operations of the SFA.

To determine the percentage of free and reduced-priced eligibility associated with a base/central kitchen, an SFA should identify the schools served by the kitchen and compare these schools' total enrollment with their total free and reduced-price eligibility, and determine if the 50 percent threshold is met.

Q.10. May the ARRA equipment assistance grant funds be used for delivery and installation costs of new equipment purchased, as well as disposal costs of old equipment?

A.10. Yes. Any costs that are reasonably required to procure new equipment with ARRA grant funds and place it in service (including delivery, installation, testing, disposition of the old equipment, etc.) are allowable. For example, the costs associated with the delivery of a replacement refrigerator to a school, installation of the replacement refrigerator to existing wiring and plumbing, and disposal of the old refrigerator is allowable.

Please note that equipment must be disposed of in accordance with applicable Federal regulations. See 7 CFR sections 3016.32(e) and 3019.34(g) for information on equipment disposal.

Q.11. May the ARRA equipment assistance grant funds be used for labor costs associated with the renovation of equipment?

A.11. Yes, reasonable contracted labor costs associated with renovation of equipment are acceptable.

Q.12. May SFAs purchase a point-of-service (POS) system with the ARRA equipment assistance grant funds?

A.12. It depends on the purchasing situation. The intent of the ARRA equipment assistance grant funds is to stimulate the economy and provide relief from economic distress by encouraging the prompt purchase of school food related equipment. Sometimes procurement for a POS system can take an extended period of time and may not allow the SFA to fully expend their grant award within the encouraged three (3) month time period. Equipment purchases that may take many months or years to complete do not meet the intent of this grant. Also, as with any grant request, the SFA must show how their request for equipment assistance corresponds to the focus area(s) the State agency has determined best represent the equipment needs in their State.

Q.13. May SFAs purchase a vending machine with the ARRA equipment assistance grant funds?

A.13. A vending machine may be purchased with ARRA equipment assistance grant funds *only* if the vending machine is used to distribute reimbursable meals. A vending machine may *not* be purchased with the ARRA equipment assistance grant funds to distribute competitive foods (see 7 CFR section 210.11) or foods of minimal nutritional value (see Appendix B to 7 CFR Part 210). The grant request to purchase a vending machine must fit into the focus area(s) the State agency has determined best represent the equipment needs in their State.

Q.14. May the ARRA equipment assistance grant funds be used for kitchen renovations?

A.14. No. The ARRA equipment assistance grant funds may not be used for the actual costs associated with the kitchen renovation itself. Kitchen renovations are considered building construction costs, which cannot be paid from the nonprofit school food service account. Such costs must be paid from the school district's General Fund, a capital projects fund, etc. The purchase of actual equipment for placement in a newly renovated kitchen would be an allowable expenditure.

Q.15. May new equipment for newly constructed schools be approved to receive the ARRA equipment assistance grant funds?

A.15. Yes, as long as the SFA's proposal for purchasing the new equipment meets the focus area(s) described in the State agency's grant application and meets the intent of the ARRA grant which is to expend funds in a manner that stimulates the economy. Note: as with renovations costs, actual construction costs of a new school or food service building must not be paid for with the ARRA equipment assistance grant funds. The SA has also been advised: when awarding grant funds to the SFAs, State agencies should consider the economic impact of awarding one large award to one school, as opposed to several smaller awards to several schools.

Q.16. What is the difference between modification to a facility for installation versus renovation or construction?

A.16. The alteration, rearrangement, modification, etc. of a site within the cafeteria or kitchen in order to prepare it for the installation of new equipment purchased with the ARRA grant funds is an integral part of the equipment's acquisition cost. For example, the installation of a new refrigerator purchased with ARRA equipment assistance grant funds may require cutting away a portion of the wall against which the new refrigerator will be placed in order to connect the necessary plumbing and would be considered part of the acquisition cost. On the other hand, "renovation" and "construction," refer to fundamentally changing the physical plant, as in constructing a new wall or demolishing an existing one. Such permanent changes to the structure go beyond the acquisition of equipment, and their cost must be paid from the SFA's General Fund, from a capital projects fund, or another resource other than the nonprofit school food service account.

Q. 17. May the ARRA equipment grant funds be used to pay for equipment purchased this school year before the ARRA grant funds became available?

A.17. No. The purpose of the ARRA equipment grant funds is to stimulate the economy as quickly as possible. Equipment that has already been acquired does not meet this purpose.

Q.18. If a school needs an equipment item that has a per-unit cost of less than \$5,000, may the SFA be awarded ARRA equipment assistance grant funds to purchase the item?

A.18. According to 7 CFR 3016.3 and the Office of Management and Budget Circular A-87, the Federal definition of equipment, for purposes of Federal assistance programs and the ARRA equipment assistance grant, is articles of nonexpendable, tangible personal property with a useful life of more than one year and a per unit acquisition cost of \$5,000 (or such lesser amount as the SFA uses when reporting equipment as assets in its financial statements). In these cases, items classified as supplies under the Federal definition but whose acquisition cost equals or exceeds the State or local capitalization threshold, may be purchased as equipment with ARRA grant funds.

Q.19. As a condition of receiving ARRA equipment assistance grant funds, must a SFA commit to using and/or retaining the equipment for a prescribed minimum period of time?

A.19. No. Please note, however, the State Agency must be notified prior to disposal and that equipment purchased with the ARRA grant funds must be disposed of in accordance with applicable Federal regulations. See 7 CFR sections 3016.32(e) and 3019.34(g).

Q.20. May the SFA purchase used equipment with the ARRA equipment assistance grant funds?

A.20. Yes, as long as the SFA's proposal for purchasing the used equipment meets the focus area(s) described in the State agency's grant application and meets the intent of the ARRA grant, which is to expend funds in a manner that stimulates the economy.

Q.21. May a State agency award the ARRA equipment assistance grant funds to SFAs for schools in which *less than* 50 percent of the students are eligible for free or reduced-priced meals?

A.21. Yes, but only under appropriate circumstances. As stated in the ARRA, priority must be given to SFAs to purchase equipment for schools in which at least 50 percent of the students are eligible for free or reduced-priced meals. This means significant weight must be given to applications from SFAs who apply for grant funds for schools with at least 50 percent of the student population eligible for free or reduced-priced meals to ensure schools falling within this category have a clear advantage, all other things being equal. In addition, State agencies are encouraged to consider an SFAs' ability to fully expend grant funds within three (3) months of the award.

Q.22. May SFAs that contract with a Food Service Management Company (FSMC) or caterer apply for the ARRA equipment assistance grants?

A.22. With regard to an FSMC, yes; however, when an SFA contracts with an FSMC and the FSMC acts on behalf of the SFA, the FSMC must adhere to the same Federal, State and local procurement requirements that are required of the SFA itself (7 CFR Part 210).

Any equipment assistance grant requests from SFAs that contract with a caterer must use the requested equipment to benefit the school and not the caterer, and the equipment must remain on the property of the school/SFA. For example, a refrigerator that is installed at the school is allowable, as opposed to a refrigerator that is installed at the caterer where the company could use the refrigerator for commercial purposes, or Federal programs other than the National School Lunch Program (this is prohibited).

Q.23. May the ARRA equipment assistance grant funds be used to purchase equipment that will be used in the serving lines, including lines that serve a-la-carte items?

A.23. Equipment may be purchased with ARRA equipment assistance grant funds only if the serving lines are used to serve reimbursable meals. Equipment may *not* be purchased with the ARRA equipment assistance grant funds for use in serving lines that primarily serve/offer competitive foods (see 7 CFR Section 210.11) or foods of minimal nutritional value (see Appendix B of 7 CFR Part 210). A-la-carte items are competitive foods, so any equipment purchased for a serving line that primarily serves/offers a-la-carte items is unallowable. The grant request to purchase equipment must fit into the

focus area(s) the State agency has determined best represents the equipment needs in the State.

Q.24. Must the SFA use the entire school's free and reduced-priced eligibility data, or may the SFA use the free and reduced-priced eligibility data that applies to the grade groups who will benefit from the school's use of equipment purchased with ARRA equipment assistance grant funds?

A.24. Consistent with the ARRA's language on targeting schools, the entire school's free and reduced-priced eligibility data must be used.

Q.25. What CFDA number will be used for the ARRA equipment assistance grant funds?

A.25. The existing CFDA number 10.579, Child Nutrition Discretionary Grants Limited Availability, will be used for the ARRA equipment assistance grant.

Q.26. If the ARRA equipment assistance grant funds cannot be commingled with other program funds, does this mean they cannot be included in the SFAs nonprofit school food service account? Do SFAs need to set up a separate fund?

A.26. Yes. The ARRA equipment assistance grant funds must be tracked and reported separately and must not be commingled with other program funds.

Q.27. Does the equipment purchased with the ARRA equipment assistance grant funds need to follow the Buy American Act?

A.27. No. For the purpose of these grants, neither the Buy American Act nor the Buy American provision of the ARRA (Section 1605) applies to the purchase of NSLP equipment with ARRA funds.

Q.28. Does the equipment cost alone have to meet the Federal or State or local equipment definition threshold (e.g. the Federal \$5,000 equipment threshold) for the SFA to be awarded ARRA equipment assistance grant funds, or may the delivery and/or installation costs be included with the equipment cost to meet the threshold?

A.28. OMB Circular A-87, Attachment B, section 15.a.(1) defines "capital expenditure" as the acquisition cost of a piece of equipment, then proceeds to define "acquisition cost" as "the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices." In short, the acquisition cost of a piece of equipment includes all costs necessary to place the equipment in service. The per-unit capitalization threshold (whether the \$5,000 Federal one or a lower State/local one) is applied to the acquisition cost to determine whether the acquired item is "equipment."

The SFA incurs the equipment's acquisition cost when it acquires the equipment, and disposition costs at the conclusion of the equipment's service life. Since disposition costs are incurred years after the equipment is acquired, they cannot be part of the acquisition cost. However, the cost of disposing of old equipment that will be replaced with ARRA-funded equipment is an allowable ARRA cost.

Q.29. May an additional piece of equipment that is required to operate the equipment be combined with the equipment cost to meet the Federal or State or local equipment threshold (i.e. the Federal \$5,000 equipment threshold)? For example: a walk-in freezer costs \$2,500, but requires a \$2,500 compressor.

A.29. Yes. The A-87 definition of "acquisition cost" clarifies that the equipment's acquisition cost includes "the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices." In the example, the cost of the compressor is part of the freezer's acquisition cost because the freezer cannot be operated without the compressor.

Q.30. May smaller items be grouped together to meet the Federal or State or local equipment definition threshold (i.e. the Federal \$5,000 equipment threshold)?

A.30. No. Unless an item is required to put the equipment in operation, as described above, an SFA/school cannot combine smaller items to meet the Federal, State or local equipment threshold, whichever is more limiting (i.e. a local \$2,000 capitalization threshold instead of the Federal \$5,000 one).

Q.31. Are transportation vehicles considered equipment and; therefore, an allowable purchase with the ARRA equipment assistance grant funds?

A.31. Yes. Transportation vehicles that fit into the focus area(s) the State agency has determined best represents the equipment needs in the State are allowable equipment costs.

Q.32. May the ARRA equipment assistance grant funds be used to pay for indirect costs or audit set-asides?

A.42. No. The ARRA equipment assistance grant funds are to be used solely to purchase needed school food service equipment.